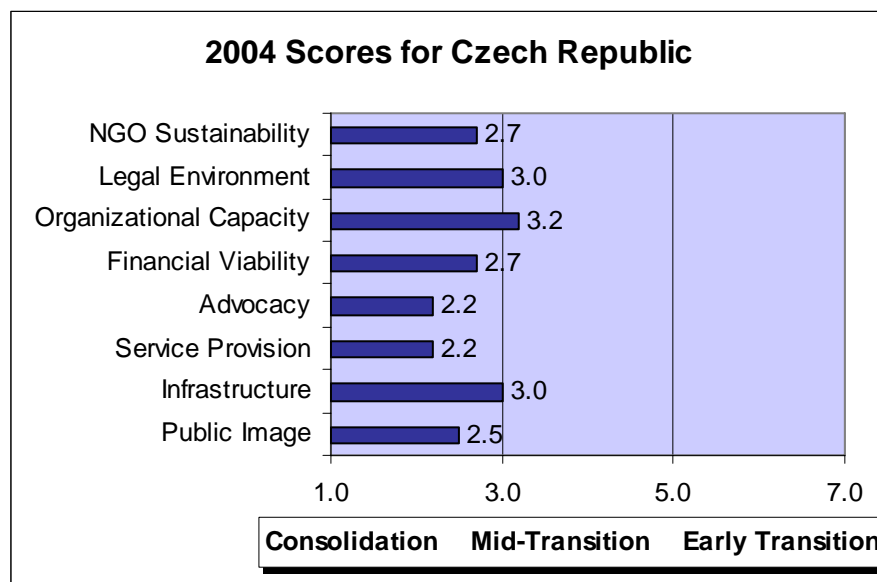
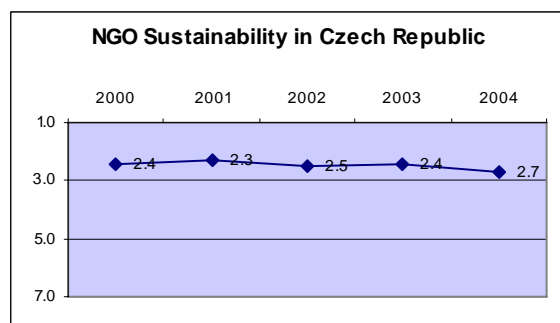


---

**CZECH REPUBLIC**


---

**Capital:** Prague**Polity:** Parliamentary democracy**Population:**  
10,500,000**GDP per capita (PPP):** \$15,700**NGO SUSTAINABILITY: 2.7**

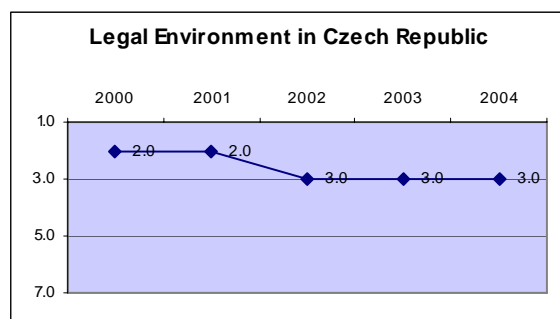
The non-profit sector is comprised of the following types of organizations: civic associations, foundations, foundation funds, public benefit organizations, church-related legal entities, local chapters of foreign not-for-profit organizations and associations of legal entities. Organizations established by public administration entities are also

understood to be part of the non-profit sector.

In 2004, there were no fundamental changes in the non-profit sector development. Organizations continued to diversify their funding sources, but NGOs could not yet apply for EU support, as the Czech ministries were not ready to distribute these monies. Positive developments included the establishment of the first economic research center for the non-profit sector and the release of a study by the Governmental Council for Non-State Non-Profit Organizations, commissioned by the Government of the Czech Republic, which recommended changes in legislation. It was the first official document of its kind.

**LEGAL ENVIRONMENT: 3.0**

The establishment, operation, and liquidation of all legal NGOs in the Czech Republic is regulated by the Law on Foundations and Foundation Funds, the Law on Public Benefit Organizations, the Law on Association of Citizens and the Law on Churches and Religious Organizations. All organizations follow the Law on Volunteerism. The legislative framework for non-profit organizations is generally operational, though there is some confusion about which organizations are included in the definition of “non-profit organization” (NGO). The preparation of the new Civic Law is still in progress and experts anticipate it to be passed in 2007.



The rights and duties of various forms of organizations are regulated by the laws mentioned above. Legislation regulating the activities of civic associations—which form a significant majority in the non-profit sector—is loose in nature. In contrast, legislation concerning foundations, foundation funds, and public benefit organizations is very strict and binding. Given the varied level of complexity of the procedures and resulting confusion, registers and statistics on Czech NGOs are not completely accurate.

NGOs can operate freely within the boundaries of the relevant legislation. Government entities do not by themselves create legal impediments to the operation of

NGOs. Instead, difficulties are the result of the long-term neglect of outstanding legal issues (e.g., a social services law has been awaiting passage since 2000) and by a persistent ignorance about the non-profit sector on the part of public administration. The process of decentralization of public administration is, in practice, unfinished and also presents a problem.

There are only a few specialists in NGO legislation in the Czech Republic. Legal consultancy services are available in the capital and in some regional towns, but they are hard to find at the local level. Some colleges and universities teach courses on the legal aspects of NGO management, contributing to a better-informed public. Nevertheless, there is no specialized training for lawyers in this field.

According to the income tax laws, all subsidies, grants and donations to NGOs are tax-deductible. Individuals may deduct donations from their taxable income, but the ceiling for these deductions is so low that the provision is not an incentive for people to contribute. The tax situation in the Czech Republic worsened with the passing of a new VAT law under which NGOs and for-profit enterprises are considered equal. The law fails to clearly define those activities that are exempt from VAT, and does not prohibit NGOs from earning income from the provision of goods and services.

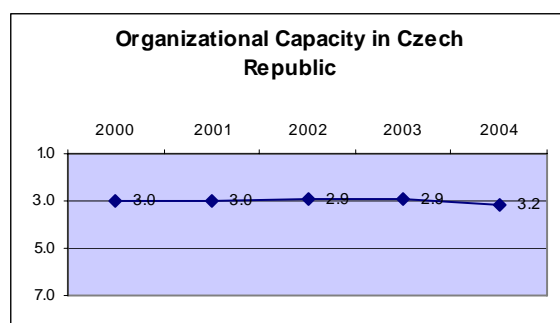
The impact of this law in practice will not become clear until 2005. Meanwhile, NGOs are pushing for the adoption of new legislation that would enable tax assignments, in this case to allow individuals to designate up to 1% of their due taxes for an NGO. This attempt at increasing NGO income has so far been unsuccessful as proposals for legislative

measures were prepared but did not succeed in advancing beyond the pre-legislative

review phase.

## ORGANIZATIONAL CAPACITY: 3.2

The public still regards the role of the state as a paternalistic and expects its needs to be served by the government and various public administration entities. In spite of this view, people are generally receptive to NGO programs and feel that the organizations meet their needs. For the most part, NGOs do not have the capacity to perform needs assessments and therefore often craft their programs based on their own interpretation of what the communities' priority needs are.



NGOs in the Czech Republic function effectively, in general, but need to apply some important planning and management tools. While defining an NGO's mission is a condition for the registration of all legal non-profit entities, not every organization defines its mission clearly and in intelligible language. This situation is improving particularly in the area of social services thanks to standards emphasizing this point. NGOs are also aware of the value of strategic planning, but most do not write strategic development plans; if they do, those plans outline activities for the short term. The most established NGOs have permanent staff, but employees do not have firmly defined job descriptions. In fact, staff is often hired only for the life of a particular

project. Development of human resources among NGOs is practically non-existent. NGOs work with volunteers who have been accredited by volunteer centers that provide training and education as outlined in the Law on Volunteerism, but the biggest problem in this area remains the prevailing lack of skills among NGOs in working with and managing volunteers. Occasionally, NGOs have systematically organized databases of volunteers.

Certain kinds of NGOs are required by law to act transparently and publish annual reports that include annual financial statements, but not all organizations fulfill this requirement. There are a number of civic associations that regularly publicize their reports (even though they are not required to do so), because they know that it is good practice and encourages others to consider partnerships with them. NGOs must also—but do not always—document their management structure and the responsibilities and duties of management bodies. Boards of Directors tend to delegate their duties and responsibilities to the management of their organizations.

The financial means for purchasing technical office equipment exists among NGOs in the Czech Republic (sometimes in the form of grants and gifts from for-profit entities), although equipment is for the most part not the most modern. Nearly 90% of NGOs are able to use computers and communicate using the Internet. NGOs that do not own their own equipment can make use of the library, which provides Internet access.

**FINANCIAL VIABILITY: 2.7**

NGOs obtain the bulk of their financing from domestic sources of support. Most comes from public budgets, companies, foundations and individual donors. Support from donors is not only financial; corporate donors provide products and services to NGOs at a discount or free of charge. Most NGOs have diversified their funding sources and have three or four reliable donors, but usually one or two sources provide more than 75% of the support. The majority of NGOs do not maintain financial reserves, though some are financially secure for several months (at most one year). Membership organizations are more stable.

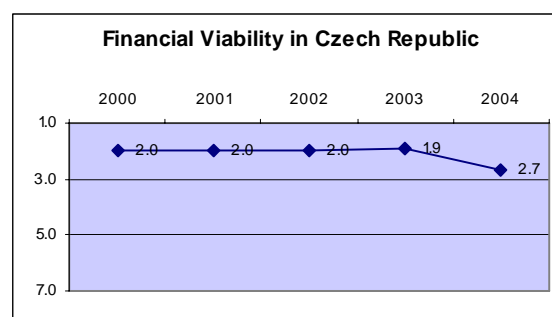
Most NGOs do not fundraise systematically, and some organizations even consider fundraising to be a luxury. Only financially stable NGOs can afford to allocate resources for fundraising. Organizations use membership fees and proceeds from public collections, but do not solicit individuals.

The most serious reason for the unsatisfactory state of fundraising is the lack of responsibility assumed by boards of directors. Boards are not fulfilling their basic duty—to seek out and secure financial support for their organizations. Instead, Directors pass off these duties to the executive staff of the NGO. Qualified and committed board members are difficult to come by because membership of an NGO Board is not deemed prestigious.

Corporate philanthropy is gradually developing as firms join large, multinationals that support corporate responsibility. The number of corporate foundations is growing, but they prefer to support NGOs by awarding them contracts rather than by giving donations. Corporations do express an interest in seeing

more interesting ideas and projects being proposed by NGOs. Small and medium-sized companies do not participate in supporting NGOs.

Individual donors represent the least significant source of income for NGOs in the Czech Republic, and are not sought after by NGOs. Again, there is a lack of creativity among NGOs in approaching individual donors.



Most NGOs are trying to supplement their financial resources portfolio by selling products and services to earn money. Often, because of a lack of financial management skills, prices are set too low and the organization does not gain the income expected. Public administration entities purchase services from NGOs in the form of subsidies and grants, but these are not easily won, as government-owned non-profit organizations are favored in the award process. These organizations are managed by public administration bodies and are guaranteed ongoing funding.

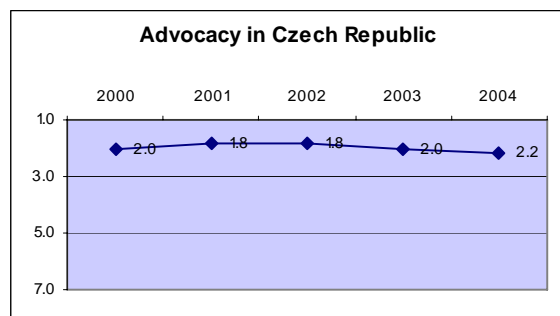
Financial management is not systematically practiced among NGOs, largely because of the lack of affordable, qualified staff. Some NGOs are required to perform annual audits by the Czech legislature, as are NGOs implementing projects financed by the EU. Some NGOs that are required to publish

annual reports do so, but do not publicize them as they should, thereby defeating the

purpose of transparent reporting requirements.

## ADVOCACY: 2.2

---



Channels for communication between NGOs and central and local level authorities are well established. NGOs are represented on the advisory bodies of various ministries and on the Czech government advisory body (the Government Council for Non-governmental Non-profit Organizations). At the regional level, NGOs are often relied upon to assist in developing the community plans and regional development strategies that inform government planning. Government entities work with NGOs in certain sectors—especially Roma populations, drug-abuse prevention, community and minority issues and human rights—to implement projects, and contract them to work in the social sectors. Towns and regions developing the local Agenda 21 (a government development program based on principles of

sustainable development) rely on NGOs to be professional partners and on the participation of active public groups (like the Healthy Cities Program which solicits public participation in planning the healthy development of cities).

NGOs feel strongly that a high quality legal framework is necessary to regulate the sector, but they overestimate the importance of an effective legislative environment and assume that legislation alone will solve their problems. Within their regions or areas of activity, NGOs are able to cooperate in promoting a piece of legislation, but lobbying is not a priority of the non-profit sector and NGOs do not have the skills to conduct large-scale campaigns. There exist interest groups in the Czech Republic that lobby effectively, for example, Natura 2000—an environmental group affiliated with the EU program that defines protected areas. In the past, NGOs led campaigns at the local level to encourage solutions to socio-political issues in various areas such as children's rights, domestic violence, cancer prevention and urban transportation issues.

## SERVICE PROVISION: 2.2

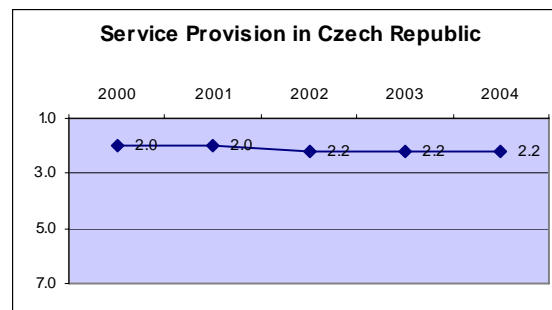
---

NGOs provide a variety of services in a range of sectors—health care, social care, education, assistance after natural disasters, environment, culture, historical site restoration, youth, human rights, and others.

Most of these services are of a high professional standard. The quantity and quality of such services differs in the various Czech regions.

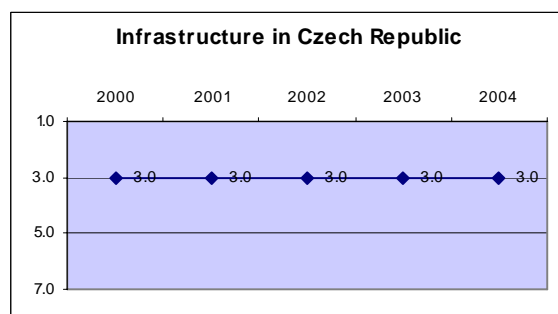
## NGO SUSTAINABILITY INDEX

In general, NGOs respond to the needs of their constituents and to their perception of market demand. However, their priorities are often connected to the stated priorities of the public authorities. Recently, NGOs have been very active in conducting assessments for community planning of social services whereby the needs of local inhabitants are assessed with the participation of clients, providers and local authorities. In general, the quality of marketing skills (market research, pricing, budgeting and cost recovery calculations) is very uneven among NGOs, and they get varied results as they sell products and services to their constituents and to the wider public.



Public authorities claim to appreciate NGO services, and support the sector by purchasing services through subsidies and grants to NGOs. Appreciation of NGOs is generally highest at the ministry level and lowest at the local level. This situation differs from region to region.

## INFRASTRUCTURE: 3.0



NGO information and support organizations exist in the Czech Republic; tens of organizations provide a wide range of information, educational and consulting services, but quality of these services is very uneven. These organizations also provide training in areas such as management, fundraising, marketing, public relations, accountancy and legislation, but is often not as tailored as NGOs need. Services are fee-

based, and difficult to access by NGOs outside of the largest cities.

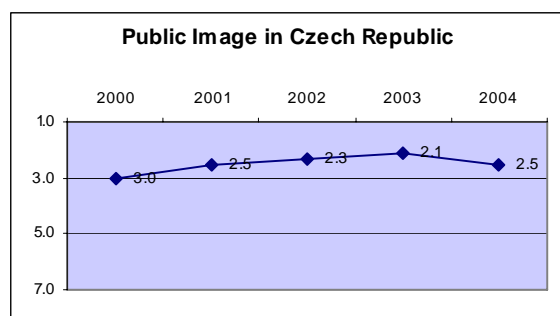
Czech foundations provide grants for implementation of local projects in accordance with their own priorities, but often have limited financial resources. There are no large foundations in the Czech Republic, but the number of corporate foundations is growing. One example of foundation support for the NGO sector is a grant program to support strategic planning provided by the VIA Foundation. This program provided 50 NGOs with small grants, and 12 regional foundations and 20 NGOs with institutional grants.

NGOs form coalitions both regionally and around sectors of interest. Intersectoral partnerships are relatively rare, and are created largely to win EU funding.



## PUBLIC IMAGE: 2.5

The media provide significant coverage of NGO activities, and often focus on the positive aspects of the activities. Only on rare occasions does the media focus on negative cases. Reports usually appear in regional media outlets and focus on local events. Czech Radio, a public broadcaster, gives time to NGO coverage daily. Another public broadcaster—Czech Television—reports on the non-profit sector on its less-watched channel. There has been a growing trend of providing media time to NGOs experts on specific issues of public interest.



The public still does not fully understand the importance of NGOs and their role in society, but generally views NGO work and volunteerism positively—especially those with which they are familiar. The most well known NGOs are those that organize public collections. Roughly half the public considers NGOs to be influential organizations that help to solve important societal problems rather than local issues. NGOs more and more strongly perceive public relations to be a necessary condition

for their sustainability, so they are more often promoting their activities. However, NGOs are not capable of intensive and systematic public relations campaigns because they lack human and financial resources. Also, they are not always able to communicate their organizations' intentions effectively such that the public receives and understands their message.

Public administrators officially claim that NGOs are their partners, but in practice, NGOs' survival is dependent on public authorities' decisions. Foreign and large companies expect NGOs to be part of their corporate social responsibility programs and cooperate with them in providing support for certain issues or regions. Working with NGOs improves a company's image but has not become a standard part of corporate culture yet.

An accepted code of ethics does not exist among the NGO sector, and the idea of introducing one has not yet been discussed. Small groups of organizations are able to reach a consensus on the issue. For example, a Code of Ethics for foundations has been established, and organizations providing social care services have well-established ethical rules for clients' treatment, as this is one of their fundamental principles. Some NGOs create their own ethical principles and publicize them in their promotional materials, but there are no sector-wide standards.